

**CONSUMERS ILLINOIS WATER COMPANY  
DIRECT TESTIMONY  
OF  
MICHAEL BRATETIC**

**Docket 02-0101**

3 **CONSUMERS ILLINOIS WATER COMPANY**

4 **DIRECT TESTIMONY**

5 **OF**

6 **MICHAEL BRATETIC**

7 **Q. Please state your name and business address.**

8 A. Michael Bratetic, 1000 S. Schuyler Avenue, Kankakee, Illinois 60901

9 **Q. By whom are you employed and in what capacity?**

10 A. I am the Vice President-Finance of Consumers Illinois Water Company ("CIWC").

11 **Q. Please state your educational, professional and business background and experience**  
12 **leading up to your current position.**

13 A. I have a Bachelor of Science degree in Business Administration from Robert Morris  
14 College. I have over 25 years experience in financial, managerial, cost and general  
15 accounting in the service and manufacturing industries. The last 14 years, I have held  
16 numerous responsibilities in the water utility industry. I was Controller for Consumers  
17 New Jersey Water Company for 10 years before transferring to the parent company,  
18 Consumers Water Company (CWC), as Financial Systems Developer. With the merger  
19 of CWC with Philadelphia Suburban Corporation (PSC), I was transferred to the parent  
20 company PSC as Financial Systems Liaison. Prior to working in the water industry, I  
21 held various financial and accounting positions with Long John Silver's Restaurants, Park  
22 Broadcasting, Inc. and Fisher Scientific Corporate Offices. I am a member of the

23 Institute of Management Accountants and have attended various water utility  
24 conferences, such as the NARUC Utility Rate School.

25 **Q. What are your responsibilities as Vice President of CIWC?**

26 A. I am responsible for the financial and accounting operations of Consumers Illinois Water  
27 Company, which serves approximately 53,500 water customers and 10,400 wastewater  
28 customers in the State of Illinois.

29 **Q. Have you previously testified in regulatory matters?**

30 A. Yes. I testified in several proceedings before the New Jersey Board of Public Utilities.

31 **Q. Are you familiar with the property, business and operations of the Consumers  
32 Illinois Water Company?**

33 A. Yes, I am.

34 **Q. What is the purpose of your testimony?**

35 A. The purpose of my testimony is to describe the request for approval of an equity infusion  
36 by CIWC's parent company, CWC.

37 **Q. Please describe the financing.**

38 A. CIWC proposes that the Commission approve, under Sections 6-102 and 7-101 of the  
39 Public Utilities Act, its issuance and sale to CWC, an affiliated interest, of common stock  
40 for an aggregate price of \$2,500,000. The Company and CWC entered into to a Stock  
41 Purchase Agreement in the form of Exhibit A to the Information Statement and Petition  
42 filed in this matter under which such common stock was issued effective December 31,

2001. By virtue of its ownership of all of the Company's outstanding common stock, CWC is an "affiliated interest" of the Company within the meaning of the Act. The number of shares of common stock issued depends on the cash paid by CWC and a price per share determined at the time of issuance based on the common equity value per share as shown on the most recently available balance sheet of the Company.

**Q. What were the proceeds of the issuance used for?**

A. The proceeds of the issuance of the common stock were applied to reduce indebtedness incurred to pay for the Company's expenditures incurred in 2001 for the construction or improvement of or addition to its facilities needed to provide safe, adequate and reliable water and sewerage service.

**Q. Were such expenditures necessary, appropriate and in the public interest?**

A. Yes they were.

**Q. Are you familiar with the Exhibits filed with the Information Statement and Petition?**

A. Yes.

**Q. Please describe Exhibit A thereto.**

A. Exhibit A is the Stock Purchase Agreement between CIWC and CWC relating to the issuance of new common stock by CIWC. This agreement is substantially the same as that used in past issuances of new common stock approved by the Commission.

62 **Q. Please describe Exhibit B.**

63 A. Exhibit B shows the capitalization of CIWC at December 31, 1999, December 31, 2000,  
64 November 30, 2001 and December 31, 2001. Information is given for that last date  
65 showing the change in capitalization resulting from the issuance of \$2,500,000 of  
66 additional equity. The Exhibit also gives the ratio of long term debt, short term debt,  
67 preferred stock and common stock as of those dates.

68 **Q. Is the information contained in Exhibit A true and correct as derived from the**  
69 **books and records of CIWC?**

70 A. Yes.

71 **Q. Is CWC an "affiliated interest" of CIWC?**

72 A. Yes. CWC owns all outstanding common stock of CIWC.

73 **Q. Is the issuance of additional common stock to CWC under the circumstances**  
74 **described appropriate and in the public interest?**

75 A. Yes. CIWC has a target equity ratio of 48% to 50% of total capitalization. Without the  
76 equity infusion from CWC at the end of 2001, the common equity ratio would have been  
77 46%. With the infusion, the ratio stands at 48.72%.

78 **Q. Will CIWC owe a fee to the Commission for the issuance of the common stock?**

79 A. Yes. The fee will be \$2,500 (10 cents for every \$100 of common stock issued).

80 **Q. Does this conclude your direct testimony?**

81 A. Yes, it does.